

AGENDA

SPECIAL MEETING OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE CITY OF HOLLISTER REDEVELOPMENT AGENCY

DATE: Thurs., June 20, 2013 Time: 3:00 P.M. City Hall 375 Fifth St., Hollister, CA

***ANYONE WISHING TO ADDRESS THE OVERSIGHT BOARD PLEASE STEP
FORWARD AND STATE YOUR
NAME AND ADDRESS TO THE SECRETARY***

This Oversight Board has been created pursuant to §34161 through §34190 of the Health and Safety Code for the sole purpose of overseeing the actions of the Successor Agency to the City of Hollister Redevelopment Agency. In accordance §34179 (h) of the with Health and Safety Code, all Oversight Board ("Board") actions shall not be effective for five business days, pending a request for review by the State Department of Finance ("Department"). In the event that the Department requests a review of a given Board action, it shall have forty days from the date of its request to approve the Oversight Board action or return it to the Board for reconsideration. In the event that the Department returns the Board action to the Board for reconsideration, the Board shall resubmit the modified action for Department approval, and the modified Board action shall not become effective until approved by the Department.

Persons who wish to speak on matters set for Public Hearing will be heard when the presiding officer calls for comments from those persons who are in support of/or in opposition hereto. After persons have spoken, the hearing is closed and brought to Commission level for discussion and action. There is no further comment permitted from the audience unless requested by the Chairman.

Call to Order

Pledge of Allegiance

Roll Call: Members: Jamie De La Cruz, Holly McWhinnie, Steve Kinsella, Clint Quilter, Helen Swanson, John Tobias, Ignacio Velazquez

Verification of Agenda Posting

- A. Approval of Minutes:** Approve minutes of the Oversight Board meeting of March 7, 2013. [Pages 4-5]

B. Communications from the Public on Items Not Listed on the Agenda: This is the time for anyone in the audience to speak on any item not on the agenda and within the subject matter jurisdiction of the Oversight Board. When the Oversight Board calls your name, please come to the podium, state your name and address for the record, and speak to the Board. Each speaker will be limited to 2 minutes. Please note that state law prohibits the Oversight Board from discussing or taking action on any item not on the agenda.

C. Consent – None

D. NEW BUSINESS

1. Status of the Recognized Obligation Payment Schedule 2013/14A **[Pages - none]**

The Board will receive an oral report on the Department of Finance approval of the Recognized Obligation Payment Schedule 2013/14A.

2. Status of the Due Diligence Review of Non-housing funds. **[Pages 6-22]**

The Board will receive a report on Due Diligence Review of Other Funds submitted to the Department of Finance. ¹

3. Consideration of amendments to two Loan Agreements between the former City of Hollister Redevelopment Agency and Marty Greenwood, Mark Greenwood and David Galtman for the Honda Powerhouse. **[Pages 23-28]**

The Board will receive a report and consider a request to combine and amend a 2006 loan agreement for \$1.5 million dollars and a 2007 loan agreement for \$400,000 to assist with the conversion of a former bowling alley bar/restaurant to a Honda power center.

4. Review of a Loan Agreement between the former City of Hollister Redevelopment Agency and Bob Cain/Todd Renz. **[Pages 29-32]**

The Board will receive a report and consider actions for a past due loan agreement for \$81,000 to assist with the demolition of a burned building and removal of a sign at 102 and 140 San Benito Street.

Reports of the Successor Agency, Board, and County Auditor Controller.

5. Reports from Successor Agency Staff.
 - i. Successor Agency appointment of former Redevelopment Agency employee to replace Clint Quilter.
 - ii. Cancellation of July 4, 2013 Regular Meeting due to National Holiday
6. Reports from the Oversight Board members.
7. Report from the County Auditor Controller.

ADJOURNMENT

NEXT REGULAR MEETING: August 8, 2013

Materials related to an item on this Agenda submitted to the Board after distribution of the agenda packet are available for public inspection in the City Clerk's office at City Hall, 375 Fifth Street, Hollister and the Development Services Department, Successor Agency Office 339 Fifth Street, Monday through Thursday, 8:00 am to noon, 1:00 pm to 5 pm (offices closed between 12:00 and 1:00 p.m. and the last Friday of the month). Such documents are also available on the City of Hollister website at www.hollister.ca.gov subject to staff's ability to post the documents before the meeting.

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the City Clerk's Office at (831) 636-4300 Ext 16. Notification of 48 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting. [28 CFR 35.102-35.104 ADA Title II].

MINUTES

**SPECIAL MEETING OF OVERSIGHT BOARD OF THE SUCCESSOR AGENCY
TO THE REDEVELOPMENT AGENCY OF THE CITY OF HOLLISTER**

March 7, 2013

Chairperson Jaime De La Cruz called the meeting to order at 3:01 p.m.

VERIFICATION OF AGENDA POSTING: The meeting agenda was posted at City Hall on February 28, 2013 at 11:00 a.m. per Government Code Section 65954.2(a).

PLEDGE OF ALLEGIANCE: Director Velazquez led the pledge of allegiance.

ROLL CALL:

Present:	Jamie De La Cruz, Steve Kinsella, Holly McWhinnie, Helen Swanson, John Tobias, Ignacio Velazquez
Absent:	Clint Quilter
Staff Present:	Bill Avera, Robert Galvan, Brett Miller, Mary Paxton
San Benito County Staff Present:	Janet Norris

APPROVAL OF MINUTES:

ACTION: Director Velazquez made a motion to approve the minutes of the February 7, 2013 meeting. Director Kinsella seconded. Motion carried 6-0-1.

COMMUNICATIONS FROM THE PUBLIC: None

CONSENT CALENDAR: None

OLD BUSINESS: None

NEW BUSINESS:

Report D-1 Recognized Obligation Payment Schedule 13/14 (ROPS): Mary Paxton presented a report on the Recognized Obligation Payment Schedule for the period June 30, 2013 to December 31, 2013.

ACTION: The Board received the informational report and memo. Director Velazquez made a motion to approve Resolution 2013-02 OB approving the Recognized Obligation Payment Schedule 13/14A. Director Kinsella seconded. Motion carried 6-0-1.

CONTINUED BUSINESS: None.

**REPORTS OF THE SUCCESSOR AGENCY, BOARD, AND COUNTY AUDITOR
CONTROLLER:**

Report of Staff: None.

Report of the Board: None.

Report of the County Auditor Controller: None.

ADJOURNMENT:

<p>ACTION: Director McWhinnie made a motion to adjourn the meeting at 3:10 p.m. Director Kinsella seconded. Motion carried 6-0-1.</p>
--

Chair of the Oversight Board

ATTEST:

William B. Avera, Secretary



**STAFF REPORT
CITY COUNCIL AGENDA**

DATE: June 13, 2013

STUDY SESSION DATE: N/A

AGENDA ITEM: D-1 Report

MEETING DATE: June 20, 2013

- **TITLE OF ITEM:** Report on the Due Diligence Review of Housing and Non-Housing Funds of the former City of Hollister Redevelopment Agency.
- **BRIEF DESCRIPTION:** Successor Agency will provide a report on the completion of the "Non-housing Fund" Due Diligence Review required pursuant to Health and Safety Code section 34179.5 and the next steps triggered by the completion of the Due Diligence Review.
- **STAFF RECOMMENDATION:** Staff recommends that the Oversight Board receive the report.

DEPARTMENT SUMMARY: Assembly Bill 1484 amended the Dissolution Act and added Health and Safety Code Section 34179.5 last June. The amendment added a requirement for a Due Diligence Review of "Housing Funds" and "Other Funds" to determine available cash assets of the former Redevelopment Agency that could be distributed to taxing entities. The City of Hollister entered into a Professional Services Contract with Mann Urrutia Nelson CPAs and Associates to prepare the two-part review of "Housing" and "Other" Funds last August. Staff reported at the December 13, 2012 Oversight Board Meeting that the review of "Housing Funds" was accepted by the Department of Finance on November 7, 2012. The City of Hollister Successor Agency submitted a check in the amount of \$6,903,750 to the County Auditor Controller of unused Low Moderate Income Housing Funds in November and the money was subsequently distributed to local taxing entities.

The Due Diligence Review of "Other Funds" was approved by the Oversight Board on February 7, 2013 and forwarded the report to the Department of Finance for review. The Due Diligence Review of Other Funds has now been accepted by the Department of Finance and it has been determined that the Successor Agency has \$0 "Other" unused funds to distribute to taxing entities.

Assembly Bill 1484 requires the Department of Finance (DOF) to issue a Notice of Completion (NOC) after the DOF reviews and accepts the Due Diligence Review of Housing and Other funds. The Notice of Completion triggers a 6-month deadline for the completion of a Long Range Property Management Plan to address the disposition of Successor Agency properties that must be approved by the Oversight Board and the Department of Finance. The Notice of Completion also allows the City of Hollister Successor Agency to place unspent bond proceeds on the next recognized obligation

payment schedule for the period of January 1, 2014 to June 30, 2014.

Meet and Confer Request: The initial Department of Finance approval of the Due Diligence Review of "Other Funds" was appealed by the City of Hollister Successor Agency with a request for a "Meet and Confer Process". The request was based on the fact that the Department of Finance review did not address the Oversight Board determination that additional funds should be withheld.

The Board may recall that when the Due Diligence Review of Other Funds was approved with Resolution 2013-01 OB, there were determinations that additional funds should be withheld by the Successor Agency because of information received between December 13, 2012 when the Due Diligence Report was submitted and the end of the year. A copy of the Resolution is provided as Attachment 1. The DDR concluded that the Successor Agency should be required to remit \$1,355,882 to the county for disbursement to taxing entities. However, after the Due Diligence Review was completed, it was determined that additional funds should be withheld by the Successor Agency. One source of funds was \$266,924 in enforceable obligations that were accepted after an appeal process with the Department of Finance Determinations related to Recognized Obligation Payments that were initially rejected by the DOF with ROPS I. The second source of funds was \$804,781 that was inadvertently distributed as a result of the "Housing Funds" Due Diligence Review (see Page 7 of Attachment 2).

The Department of Finance reviewed the Other Funds Due Diligence Review (DDR) and in an April 24, 2013 letter provided as Attachment 2 determined that the DDR did not calculate the retention of funds for the Recognized Obligation Payment Schedule for ROPS II (July through December 2012) and as a result the City of Hollister Successor Agency has \$0 unencumbered funds to distribute to taxing entities. (Note: the letter in Attachment 2 includes two typographical errors. Firsts, the ROPS period was for July through December 2012 not 2013. Second, the available balance per the due diligence review was \$1,355,882 not \$1,605,882).

The Department of Finance (DOF) issued a Notice of Completion on April 26, 2013 accepting the Due Diligence Reviews of Housing and Other funds. The letter is provided in Attachment 3. The DOF letter states that the Hollister Successor Agency does not have surplus funds to distribute to taxing entities. However, the notice did not address how the City of Hollister Successor Agency could be reimbursed for notations of funds that should be withheld made in Oversight Board Resolution 2013-01 OB totaling \$1,088,958. The resolution noted that \$266,924 should be withheld for enforceable obligations that were approved by the Department of Finance in December as a result of a November Meet and Confer process for ROPS I and III as well as \$804,871 of funds that were inadvertently distributed in November as unused housing funds. The City of Hollister Successor Agency met and conferred with the Department of Finance on May 20, 2013. The Department of Finance issued a revised Other Funds

and Accounts Due Diligence review which is included in Attachment 4. The DOF made the following findings:

- The City of Hollister Successor Agency has \$0 unencumbered Other funds to disperse to taxing entities.
- The City of Hollister Successor Agency should place \$284,177 of enforceable obligations that were initially denied by the DOF during the ROPS I review on a future Recognized Obligation Payment Schedule.
- The Successor Agency should enter into an agreement with the City of Hollister pursuant to HSC Section 34173(h) to formalize loans made by the City of Hollister from pooled cash reserves to pay for \$804,781 of ROPS I expenditures. This amount represents the inadvertent retention of the 20% of the 2011 set-aside in the Low Moderate Income Housing Fund. The loan should then be placed on a future ROPS for review by the Oversight Board and the Department of Finance.
- The deadline for the completion of the Long Range Property Management Plan is six months from date of the amended notice - November 29, 2013.

Next Steps:

1. The City of Hollister Successor Agency will be bringing a loan agreement to the Successor Agency in July to formalize the \$804,781 loan referenced in Attachment 4. This loan agreement will then be forwarded for approvals to the Oversight Board and Department of Finance.
2. The Successor Agency will place the following on ROPS 13/14 b (January 1, 2014- June 30, 2014):
 - a. \$284,177 of enforceable obligations from ROPS I that were initially rejected on the ROPS 13/14b
 - b. \$804,781 loan agreement
 - c. Unspent 2009 Bond proceeds for West Gateway and pavement overlay of \$230,333
3. August – November 2013 Oversight Board review information and consider approval of the Long Range Property Management Plan

ATTACHMENTS: Attachment 1 - Oversight Board Resolution 2013-01, Attachment 2- Department of Finance April 24, 2013 Other Funds and Accounts Due Diligence Review, Attachment 3 – Department of Finance Finding of Completion, Attachment 4 – Department of Finance May 29, 2013 amended Other Funds and Accounts Due Diligence Review

FINANCIAL IMPACT: \$

CEQA: Exempt

DEPARTMENT: Successor Agency

CONTACT PERSON: Mary M. Paxton

DEPARTMENT HEAD: William B. Avera

PHONE NUMBER: (831) 636-4316

RESOLUTION NO. 2013-01

RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY OF THE CITY OF HOLLISTER TAKING SPECIFIED ACTIONS WITH RESPECT TO THE NON-HOUSING FUND DUE DILIGENCE REVIEW PURSUANT TO HEALTH AND SAFETY CODE SECTIONS 34179.5 AND 34179.6

WHEREAS, the California state legislature enacted Assembly Bill x1 26 (the "Dissolution Act") to dissolve redevelopment agencies formed under the Community Redevelopment Law (Health and Safety Code Section 33000 et seq.); and

WHEREAS, pursuant to Health and Safety Code Section 34173, the City Council of the City of Hollister (the "City Council declared that the City Hollister (the "City, would act as successor agency (the "Successor Agency") for the dissolved Redevelopment Agency of the City of Hollister (the "Dissolved RDA") effective February 1, 2012; and

WHEREAS, pursuant to AB 1484 ("AB 1484"), enacted June 27, 2012 to amend various provisions of the Dissolution Act, the Successor Agency is now declared to be a separate legal entity from the City; and

WHEREAS, the Dissolution Act provides for the appointment of an oversight board (the "Oversight Board") with specific duties to approve certain Successor Agency actions pursuant to Health and Safety Code Section 34180 and to direct the Successor Agency in certain other actions pursuant to Health and Safety Code Section 34181; and

WHEREAS, pursuant to Health and Safety Code Section 34179.5 (as added by AB 1484) the Successor Agency is required to employ a licensed accountant, approved by the County Auditor- Controller for the County of San Benito (the "Auditor-Controller"), to conduct a due diligence review (the "Non-Housing Fund Due Diligence Review") to determine the unobligated balances from the Dissolved RDA's funds and accounts (exclusive of the Low and Moderate Income Housing Fund) held by the Successor Agency available for transfer to taxing entities as required under AB 1484 and the Dissolution Act; and

WHEREAS, the Successor Agency hired a licensed accountant, approved by the Auditor-Controller, to prepare the Non-Housing Fund Due Diligence Review in conformance with Health and Safety Code Section 34179.5; and

WHEREAS, in compliance with Health and Safety Code Section 34179.6, the Non-Housing Fund Due Diligence Review has been submitted by the Successor Agency to the Oversight Board for the Oversight Board's approval, and has also been submitted to the San Benito County Administrative Officer, the Auditor-Controller, the State Controller, and the State Department of Finance (the "DOF"), along with copies of

Resolution 2013-01 OB
Page 2 of 7

the Successor Agency's recognized obligation payment schedules for the Fiscal Year 2012-13, as approved by the Oversight Board (the "FY 2012-13 ROPS's"); and

WHEREAS, the \$2,587,132 of RPTTF obligation approved for the ROPS II period reported on Attachment F. 1 of the Due Diligence Review of Non-Housing Funds was based on information posted on Exhibit 12 of the Department of Finance web site in July of 2012 but the amount was reduced administratively by the Department of Finance to \$2,371,288 without notification to the City of Hollister Successor Agency; and

WHEREAS, after the Meet and Confer process, the Department of Finance now recognizes items which were rejected on ROPS I and appealed for reconsideration as ROPS III items 23 (Employee Benefit Compensation at dissolution - \$174,012) , 24 (Post employee benefits at dissolution - \$100,800) and 27 (January graffiti removal - \$9,365) as enforceable obligations which total \$284,177; and

WHEREAS, the RPTTF payment for the ROPS I period did not include the funds of \$284,177 to pay for ROPS III items 23, 24 and 27 enforceable obligations, the funds for the item 23, 24 and 27 were not factored into the July True-up payment or the Due Diligence Review of Non-Housing Funds examined by the Oversight Board at a public session on December 13, 2012; and

WHEREAS, the former Redevelopment Agency transferred \$804,781 of the December 2011 distribution of property tax increment to the Low Moderate Income Housing Fund instead of placing the funds in the Redevelopment Property Tax Trust Fund to pay for enforceable obligations between January and June 2012 and as a result the \$804,781 included in the November 13, 2012 housing fund due diligence payment of \$6.9 million dollars from the Low Moderate Income Housing Fund of the former Hollister Redevelopment Agency; and

WHEREAS, the Successor Agency consulted with the San Benito County Auditor Controller and Department of Finance regarding the placement of \$804,781 in the Low Moderate Income Housing Fund instead of the Redevelopment Property Tax Trust Fund and there was consensus that a notation should be made with the Due Diligence Review of Non-housing Funds and that the \$804,781 should be retained by the Successor Agency for payment of approved enforceable obligations; and

WHEREAS, the Oversight Board must review, approve and transmit the Non-Housing Fund Due Diligence Review by January 15, 2013.

NOW, THEREFORE, BE IT RESOLVED that the Oversight Board hereby finds and determines that the foregoing recitals are true and correct, and together with the following documents and information form the basis for the approvals, authorizations, findings, and determinations set forth in this Resolution: (1) the Non-Housing Fund Due Diligence Review; (2) the FY 2012-13 ROPS's; (3) information provided by the Successor Agency staff; (4) information provided by the public at the public comment

Resolution 2013-01 OB
Page 3 of 7

session held by the Oversight Board on December 13, 2012 as required under Health and Safety Code Section 34179.6(b); and (5) there were no opinions offered by the Auditor-Controller on the Non-Housing Fund Due Diligence Review;

BE IT FURTHER RESOLVED that in accordance with the Dissolution Act and AB 1484, the Oversight Board hereby approves the Non-Housing Fund Due Diligence Review in the form on file with the Oversight Board's designated communication official with notation that an additional \$284,177 of funds for the ROPS I period have not been paid to the Successor Agency to date.

BE IT FURTHER RESOLVED that the Oversight Board hereby authorizes the Successor Agency to retain assets or funds, legally restricted as to their purpose, including but not limited bond proceeds, grant funds or other governmentally restricted funds, under Health and Safety Code Section 34179.5(c)(5)(B) in the amount of \$5,081,959 Dollars from the funding source and for the purposes identified in Attachment G1 of the Non Housing Fund Due Diligence Review, incorporated herein by this reference.

BE IT FURTHER RESOLVED that the Oversight Board hereby authorizes the Successor Agency to retain assets or funds, that are not cash or cash equivalent, under Health and Safety Code Section 34179.5(c)(5)(C) in the amount of \$8,789,033 Dollars from the funding source and for the purposes identified in Attachments E and G.2 of the Non Housing Fund Due Diligence Review, incorporated herein by this reference.

BE IT FURTHER RESOLVED that the amount of cash and cash equivalents that are available for disbursement to taxing entities as determined according to the method provided in Section 34179.5 and as set forth in the Non-Housing Fund Due Diligence Review of \$1,355,882 (the "Non-Housing Fund Due Diligence Review Payment"), is further reduced to \$286,924 as a result of \$284,177 of funds recognized in the meet and confer process as ROPS I enforceable obligations and \$804,781 of funds that were inadvertently distributed as funds that were available for disbursement from the Low Moderate Income Housing Fund in November of 2012 based on information received in December 2012 as evidenced in the January 3, 2012 Staff Report to the Oversight Board. The Due Diligence Review of Non-housing funds together with adjustments included in Attachment 3 of this resolution, subject to the DOF's approval of the Non-Housing Fund Due Diligence Review, shall be transmitted to the Auditor-Controller for allocation to affected taxing entities pursuant to the terms of AB 1484 and the Dissolution Act.

BE IT FURTHER RESOLVED, that the Oversight Board hereby authorizes and directs the Successor Agency staff to take all actions necessary under the Dissolution Act and AB 1484 to file, post, mail or otherwise deliver via electronic mail, internet posting, and/or hardcopy, all notices and transmittals necessary or convenient in connection with the approval of the Non-Housing Fund Due Diligence Review and to take any other actions necessary to ensure the validity of the Housing Fund Due

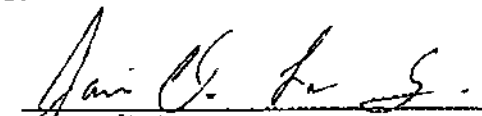
Resolution 2013-01 QB
Page 4 of 7

Diligence Review and the validity of the retention of the funds specified to be retained by this Resolution. The Oversight Board acknowledges and agrees that the Successor Agency may invoke the meet and confer process identified in Health and Safety Code Section 34179.6(e) to resolve any disputes regarding the amounts or sources of funds identified by the DOF as eligible to be retained. In addition, the Oversight Board authorizes and directs the Successor Agency staff to make the Non-Housing Fund Due Diligence Review Payment as required under Health and Safety Code Section 34179.6 and pursuant to the terms of this Resolution.

BE IT FURTHER RESOLVED that this Resolution shall take effect at the time and in the manner prescribed in Health and Safety Code Section 34179(h).

The above and foregoing Resolution was duly and regularly passed and adopted at a meeting by the Oversight Board for the Successor Agency of the Redevelopment Agency of the City of Hollister at a regular meeting thereof held on January 7, 2013, by the following vote:

AYES:	BOARD MEMBERS: De'La Cruz, Quilter, Tobias, Velazquez
NOES:	BOARD MEMBERS:
ABSTAIN:	BOARD MEMBERS:
ABSENT:	BOARD MEMBERS: McWhinnie, Kinsela, Swanson


 Chairperson
 ATTEST: 
 Oversight Board Designated
 Communication Official

ATTACHMENT No. 1**FUNDS AUTHORIZED TO BE RETAINED BY THE SUCCESSOR AGENCY
PURSUANT TO HEALTH AND SAFETY CODE SECTION 34179.5(c)(5)(B)****(Bond Proceeds, Grant Funds or Other Governmentally Restricted Funds)**

No.	Funding Source	Purpose for Retention	Amount Retained
1.	Redevelopment Property Tax Trust Fund	1997 Bond Reserve	\$1,223,759
2.	Redevelopment Property Tax Trust Fund	2003 Bond Reserve	\$1,123,923
3.	Redevelopment Property Tax Trust Fund	2009 Bond Reserve	\$ 638,975
4.	Fire Station 1 Construction 2009 Bond		\$1,503,992
5.			
6.			
7.			
8.			
9.			
10.			
Total to be retained under Section 34179.5(c)(5)(B)			\$5,061,959

ATTACHMENT No. 2

**VALUE OF NON-CASH ASSETS AUTHORIZED TO BE RETAINED BY THE
SUCCESSOR AGENCY PURSUANT TO HEALTH AND SAFETY CODE SECTION
34179.5(c)(5)(C)**

(Assets or Funds That Are Not Cash Or Cash Equivalent)

No.	Asset Identification (APN)	Purpose for Retention	Amount of Non-Cash Asset Retained
1.	054-011-016, 054-011-030, 054-011-036	Non-cash asset	\$ 722,290
2.	056-025-019, 056-025-024	Non-cash asset	\$4,210,864
3.	2009 RDA deferred charges	Non-cash asset	\$ 339,8923
4.	Due from Other Funds	Non-cash asset	\$1,311,259
5.	Garcia Jewelry 3.5%	Non-cash asset	\$33,231
6.	L/A RDA A/M. Velasquez/2006-41R	Non-cash asset	\$100,000
7.	L/A RDA Cain & Renz/2006-42R	Non-cash asset	\$81,00
8.	Honda Powerhouse Loan	Non-cash asset	\$1,900,000
9.	801 San Benito Façade Improvement 20K	Non-cash asset	\$3079
10.	347 San Benito Façade Improvement 55K	Non-cash asset	\$55,000
11.	341 Tres Pinos Façade Improvement 40K		\$40,000
12.	421 East Street Façade Improvement 11,880		\$10,784
13.	Borelli/Felice – 730 San Benito Street Façade Improvement		\$20,000
14.	Borelli/Felice – 738-756 San Benito Street Façade Improvement		\$20,000
15.	SBC Health Foundation Façade Improvement Loan 20K		\$20,000
16.	Renz, T.T.J. & K/339 7 th Street Façade Improvement Loan		\$19,800
17.	Tony Lobue/726 San Benito Street Façade Improvement Loan		\$20,000
18.	DMC – AJ Sushi Façade Improvement Loan		\$18,108
19.	A&R Properties/41 Fifth Street Façade Improvement Loan		\$19,425
20.	Allowance for doubtful accounts		(\$121,594)
21.	Employee loan		\$5,908
22.	Loan: Computers		\$56
Total to be retained under Section 34179.5(c)(5)(B)			\$8,789,033

ATTACHMENT No. 3

**FUNDS AUTHORIZED TO BE RETAINED BY THE SUCCESSOR AGENCY
PURSUANT TO HEALTH AND SAFETY CODE SECTION 34179.5(c)(5)(D)**

**NOTATION: FUNDS TO BE RETAINED INCLUDE NEW INFORMATION AVAILABLE
AFTER RELEASE TO THE DUE DILIGENCE REVIEW ON DECEMBER 11, 2012**

**(Assets or Funds, Including Any Current Balances That Are Legally or Contractually
Dedicated or Restricted for the Funding of an Enforceable Obligation)**

Item No.	Funding Source	Purpose for Retention	Amount Retained
1.	Redevelopment Property Tax Trust Fund	Employee vacation, sick and admin time accrual allowed from ROPS I approved as an enforceable obligation by the Department of Finance in December of 2012.	\$174,012
2.	Redevelopment Property Tax Trust Fund	Post employee benefits from ROPS I approved as an enforceable obligation by the Department of Finance in December of 2012.	\$100,800
3.	Redevelopment Property Tax Trust Fund	Graffiti removal for month of January 2012 approved as an enforceable obligation by the Department of Finance in December of 2012.	\$9,365
4	20% distribution of Low Moderate Income Housing Funds from the December 2011 distribution of property tax increment to the former Hollister Redevelopment Agency that should have been retained in the Redevelopment Property Tax Trust Fund to pay enforceable obligations.	Retention of \$804,781 for enforceable obligations. The July true-up calculation presumed that all of the \$4,023,905 December 2011 property tax increment distribution was placed in the Redevelopment Property Tax Trust Fund but consistent with Redevelopment Law, the City of Hollister transferred 20% (\$804,781) of the \$4,023,905 of the property tax increment to the former RDA Low Moderate Income Housing Fund (LMIHF) and the remaining 80% (\$3,219,124) of increment to the non-housing fund. The \$804,781 was distributed in November of 2012 as part of the Due Diligence Payment of excess housing funds to taxing entities. The funds are not available to pay for enforceable obligations for ROPS I and II. The discrepancy has been reviewed by the San Benito County Auditor-Controller and State Department of Finance and there is consensus that the \$804,781 should be retained to pay for enforceable obligations.	\$804,781
Total to be retained under Section 34179.5(c)(5)(D). Note: Retention of items 1 through 4 of this attachment (\$1,088,958) was not included on Attachment G.1 of the Due Diligence Review of Non-housing funds determination of the funds to be remitted to the county for disbursement to taxing entities reviewed at a public session on December 13, 2013.			\$1,088,958
Total to be remitted to County Auditor Controller for disbursement to taxing entities (Exhibit G1 amount of \$1,355,882 - \$1,088,958 = \$266,924)			\$ 266,924



EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.OFG.CA.GOV

April 24, 2013

Mr. William Avera, Development Services Director
City of Hollister
375 Fifth Street
Hollister, CA 95023

Dear Mr. Avera:

Subject: Other Funds and Accounts Due Diligence Review

The City of Hollister successor agency (Agency) submitted an oversight board approved Other Funds and Accounts (OFA) Due Diligence Review (DDR) to the California Department of Finance (Finance) on February 7, 2013. The purpose of the review was to determine the amount of cash and cash equivalents available for distribution to the affected taxing entities. Since the Agency did not meet the January 15, 2013 submittal deadline pursuant to HSC section 34179.6 (c), Finance is not bound to completing its review and making a determination by the April 1, 2013 deadline pursuant to HSC section 34179.6 (d). However, Finance has completed its review of your DDR, which may have included obtaining clarification for various items.

HSC section 34179.6 (d) authorizes Finance to adjust the DDR's stated balance of OFA available for distribution to the taxing entities. Based on our review of your DDR, the following adjustment was made:

- Our review indicates the Agency did not request to retain balances to satisfy Recognized Obligation Payment Schedule (ROPS) obligations for fiscal year 2012-13. Specifically, the Agency did not include the July through December 2013 ROPS obligations in the amount of \$3,276,756 comprised of \$2,587,132 in Redevelopment Property Tax Trust Fund funding and \$689,624 in Other funding. Finance adjusted the balance for this amount.

As a result, there are no unencumbered OFA balances available for distribution (see table below).

OFA Balances Available For Distribution To Taxing Entities	
Available Balance per DDR:	\$ 1,605,882
Finance Adjustments	
Balance retained for fiscal year 2012-13 obligations	(3,276,756)
Total OFA available to be distributed:	\$ -

Pursuant to HSC section 34167.5 and 34178.8, the California State Controller's Office (Controller) has the authority to claw back assets that were inappropriately transferred to the

Mr. Avera
April 24, 2013
Page 2

ATTACHMENT 2 PAGE 2 OF 2

city, county, or any other public agency. Determinations outlined in this letter do not in any way eliminate the Controller's authority.

Please direct inquiries to Beliz Chappuie, Supervisor or Mindy Patterson, Lead Analyst at (916) 445-1548.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Mary Paxton, Program Manager, City of Hollister
Mr. Joe Paul Gonzalez, Auditor-Controller, San Benito County Auditor-Controller
California State Controller's Office



DEPARTMENT OF
FINANCE

ATTACHMENT 3 PAGE 1

EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

April 26, 2013

Mr. William Avera, Development Services Director
City of Hollister
375 Fifth Street
Hollister, CA 95023

Dear Mr. Avera:

The California Department of Finance (Finance) has completed the Finding of Completion for the City of Hollister Successor Agency.

Finance has completed its review of your documentation, which may have included reviewing supporting documentation submitted to substantiate payment or obtaining confirmation from the county auditor-controller. Pursuant to Health and Safety Code (HSC) section 34179.7, we are pleased to inform you that Finance has verified that the Agency has made full payment of the amounts determined under HSC section 34179.6, subdivisions (d) or (e) and HSC section 34183.5.

This letter serves as notification that a Finding of Completion has been granted. The Agency may now do the following:

- Place loan agreements between the former redevelopment agency and sponsoring entity on the ROPS, as an enforceable obligation, provided the oversight board makes a finding that the loan was for legitimate redevelopment purposes per HSC section 34191.4 (b) (1). Loan repayments will be governed by criteria in HSC section 34191.4 (a) (2).
- Utilize proceeds derived from bonds issued prior to January 1, 2011 in a manner consistent with the original bond covenants per HSC section 34191.4 (c).

Additionally, the Agency is required to submit a Long-Range Property Management Plan to Finance for review and approval, per HSC section 34191.5 (b), within six months from the date of this letter.

Please direct inquiries to Andrea Scharffer, Staff Finance Budget Analyst, or Chris Hill, Principal Program Budget Analyst, at (916) 445-1546.

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Ms. Mary Paxton, Program Manager, City of Hollister
Mr. Joe Paul Gonzalez, Auditor-Controller, San Benito County Auditor-Controller
California State Controller's Office



EDMUND G. BROWN JR. • GOVERNOR

1115 L STREET ■ SACRAMENTO, CA ■ 95814-3706 ■ WWW.GDF.CA.GOV

May 29, 2013

Mr. William Avera, Development Services Director
City of Hollister
375 Fifth Street
Hollister, CA 95023

Dear Mr. Avera:

Subject: Other Funds and Accounts Due Diligence Review

This letter supersedes the California Department of Finance's (Finance) original Other Funds and Accounts (OFA) Due Diligence Review (DDR) determination letter dated April 24, 2013. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Hollister Successor Agency (Agency) submitted an oversight board approved OFA DDR to Finance on February 7, 2013. The purpose of the review was to determine the amount of cash and cash equivalents available for distribution to the affected taxing entities. Finance issued an OFA DDR determination letter on April 24, 2013. Subsequently, the Agency requested a Meet and Confer session on one or more items adjusted by Finance. The Meet and Confer session was held on May 20, 2013.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of those specific items being disputed. Specifically, the following adjustments were made:

- Our review indicates the Agency did not request to retain balances to satisfy Recognized Obligation Payment Schedule (ROPS) obligations for fiscal year 2012-13. Specifically, the Agency did not include the July through December 2012 (ROPS II) obligations in the amount of \$2,587,132 from the Redevelopment Property Tax Trust Fund. Therefore, the OFA balance available will be decreased by \$2,587,132.

During the Meet and Confer process, the Agency provided additional information showing that the Agency also expended \$284,177 during the January through June 2012 (ROPS I) period on items that were denied by Finance during the ROPS I review. These items were subsequently approved through the Meet and Confer process during the January through June 2013 (ROPS III) review. However, HSC section 34177 (a) (3) states that only those payments listed in the approved ROPS may be made from the funding source specified in the ROPS. To the extent the Agency believes the denied items on the ROPS I are enforceable obligations, the Agency should list those items on a future ROPS for payment.

In addition, the Agency claims \$804,781 should have been retained for ROPS I expenditures but was inadvertently deposited in Low and Moderate Income Housing Fund (LMIHF) and remitted through the LMIHF DDR process. As a result, ROPS I

expenditures were paid for from the City of Hollister's (City) pooled cash account. Therefore, the Agency should enter into an agreement with the City pursuant to HSC section 34173 (h) to formalize the loans made by the City to the Agency for ROPS I approved enforceable obligations. The loan should be placed on a subsequent ROPS for review and approval by Finance.

As a result, there are no unencumbered OFA balances available for distribution (see table below).

OFA Balances Available For Distribution To Taxing Entities	
Available Balance per DDR:	\$ 1,605,882
Finance Adjustments	
Balance retained for fiscal year 2012-13 obligations	(2,587,132)
Total OFA available to be distributed:	\$ -

This is Finance's final determination of the OFA balances available for distribution to the taxing entities. HSC section 34179.6 (f) requires successor agencies to transmit to the county auditor-controller the amount of funds identified in the above table within five working days, plus any interest those sums accumulated while in the possession of the recipient. Upon submission of payment, it is requested you provide proof of payment to Finance within five business days.

If funds identified for transmission are in the possession of the successor agency, and if the successor agency is operated by the city or county that created the former redevelopment agency, then failure to transmit the identified funds may result in offsets to the city's or the county's sales and use tax allocation, as well as its property tax allocation. If funds identified for transmission are in the possession of another taxing entity, the successor agency is required to take diligent efforts to recover such funds. A failure to recover and remit those funds may result in offsets to the other taxing entity's sales and use tax allocation or to its property tax allocation. If funds identified for transmission are in the possession of a private entity, HSC 34179.6 (h) (1) (B) states that any remittance related to unallowable transfers to a private party may also be subject to a 10 percent penalty if not remitted within 60 days.

Failure to transmit the identified funds will also prevent the Agency from being able to receive a finding of completion from Finance. Without a finding of completion, the Agency will be unable to take advantage of the provisions detailed in HSC section 34191.4. Specifically, these provisions allow certain loan agreements between the former redevelopment agency (RDA) and the city, county, or city and county that created the RDA to be considered enforceable obligations. These provisions also allow certain bond proceeds to be used for the purposes in which they were sold and allows for the transfer of real property and interests into the Community Redevelopment Property Trust Fund once Finance approves the Agency's long-range property management plan.

In addition to the consequences above, willful failure to return assets that were deemed an unallowable transfer or failure to remit the funds identified above could expose certain individuals to criminal penalties under existing law.

Pursuant to HSC sections 34167.5 and 34178.8, the California State Controller's Office (Controller) has the authority to claw back assets that were inappropriately transferred to the city, county, or any other public agency. Determinations outlined in this letter do not in any way eliminate the Controller's authority.

Mr. Avera
May 29, 2013
Page 3

ATTACHMENT 4 PAGE 3 OF 3

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Mary Paxton, Program Manager, City of Hollister
Mr. Joe Paul Gonzalez, Auditor-Controller, San Benito County Auditor-Controller
California State Controller's Office

STAFF REPORT

OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE CITY OF HOLLISTER REDEVELOPMENT AGENCY AGENDA

DATE: June 13, 2013

STUDY SESSION DATE: N/A

AGENDA ITEM: D-3 Report

MEETING DATE: June 20, 2013

- **TITLE OF ITEM:** Discussion of options to restructure an Owner Participation Agreement between the former City of Hollister Redevelopment Agency and Hollister Honda
- **BRIEF DESCRIPTION:** The Oversight Board will discuss options to restructure an Owner Participation Agreement for two loans (\$1.5 million dollars and \$400,000) for the Hollister Honda powerhouse at 411 San Felipe Road.
- **STAFF RECOMMENDATION:** Staff recommends that the Oversight Board take the following actions:
 1. Receive staff report.
 2. Direct staff to prepare a resolution recommending approval of amendments to the loan agreements.

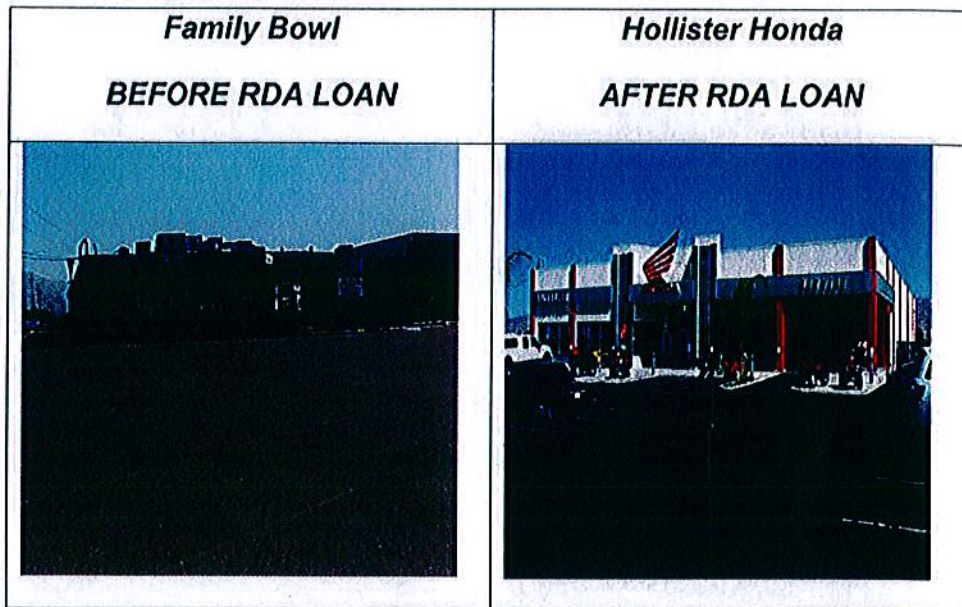
DEPARTMENT SUMMARY:

Background: The Greenwood family purchased Tipton Motors in 2001 at 270 San Felipe Road and renamed the dealership to Greenwood Chevrolet, Buick, GMC. The Greenwood family purchased a bowling alley with a bar and restaurant nearby at 411 San Felipe Road in 2004. Closure of the bowling alley was imminent when the family purchased Family Bowl because it was losing money. The Redevelopment Agency approved a resolution in 2005 authorizing staff to prepare a letter of intent to loan \$1.5 million dollars to assist with the rehabilitation and conversion of the bowling alley to establish the first Honda Powerhouse dealership in northern California called Hollister Honda. The Redevelopment Agency (RDA) determined that the project was eligible for assistance because the former Family Bowl building was blighted, activities at the bar had become a public nuisance, and the new powerhouse could support economic development. The establishment of a power center also implemented the newly established North Gateway General Plan land use designation in the 2005-2023 General Plan revision that identified automotive sales as a primary land use on the San Felipe Road gateway corridor.

The former Hollister Redevelopment Agency approved an Owner Participation Agreement ("OPA") with Michael S. Greenwood, Martin J. Greenwood and Dave F. Galtman and loan in the amount of \$1,500,000 to assist with the Honda Powerhouse project on April 17, 2006. In March of 2007, the RDA amended the OPA to provide an additional loan of \$400,000 for the Honda Powerhouse with 7% interest and a five year term. The March 2007 staff report for the amendment stated that the applicant would also be providing an additional \$250,000 of their own funds for rehabilitation. The Agency approved a subordination agreement in the fall of 2007 so that the combined \$1,900,000 redevelopment loans would be second to a loan with San Benito Bank for

\$2,156,917. The construction and rehabilitation was completed in 2007 and the Hollister Honda powerhouse center opened. Figure 1 provides a before and after picture of the Hollister Lanes and the new Hollister Honda. Table 1 summarizes the terms of the two loans.

Figure 1 - 411 San Felipe Road before and after RDA loan



The 2008 Hinderliter de Llamas Quarterly Sales Tax Reports ranked the Hollister Honda as one of the top ten sales tax generators in the City of Hollister. Even though the Hollister Honda was one of the top sales tax generators, the downturn in the economy since the onset of the Great Recession in 2008 slowed overall sales affecting the overall bottom line. A balloon payment for the \$400,000 loan would have been due in the Fall of 2009 and interest payments on the \$1.5 million dollar loan would have started in 2010. The Agency approved Resolution 2009-20R on June 15, 2009, authorizing the execution of an amendment to the owner participation agreement and loan documents to provide a deferral of all loan payments until June 15, 2011 (two years) with an option of an additional three years for the repayment of the loans. The Agency approved a second two year deferral on repayment of the loan with Resolution 2011- 20R on June 6, 2011.

Table 1 – Summary of prior Redevelopment Agency Loan Agreements

2006 Loan Amount	Interest	2006 Loan Payment terms
\$1,500,000	3% per annum (1)	<p>10/27/2007 – 10/29/2010: Deferred principal and interest three years after promissory note</p> <p>11/1/2010 – 10/1/2012: 23 monthly payments of current interest only</p> <p>11/1/2012 – 11/1/2032: Amortize outstanding principal and accrued interest with 240 equal monthly payments</p>
2007 Loan Amount	Interest	2007 Loan Payment terms
\$ 400,000	7% fixed	30 month term (3/2007 -9/2009)

Notes:

- (1) Loan agreement provided for two \$750,000 installments with 6% simple interest but allowed the interest to be reduced to 3% per annum if employment and sales targets were met by the third and fifth anniversary if rehabilitation improvements were completed and employment and sales targets were met. Honda Powerhouse met employment and sales tax targets.

Between 2008 and the present, the owners have taken several steps to weather the economic downturn. First, Hollister Honda was combined with Greenwood Chevrolet. On May 31, 2012 the owners finalized negotiations with Honda after multiple meetings to allow the construction of a wall in the Hollister Honda building to permit the establishment of other motorcycle dealerships in the building. Hollister Honda remained on the north side of the building as a Honda powerhouse. The newly formed Hollister Power Sports moved into the south side of the building. Hollister Power Sports added dealerships for Kawasaki Motorcycle on June 29, 2012, Polaris and Victory Motorcycles on August 7, 2012 and GEM electric motorcycles on January 17, 2013. Hollister Power Sports also has three mobile mechanics with a market area from north of San Francisco to San Diego. The changes have allowed the business to transition to a destination dealership for five major motorcycles brands for sales and parts. The Hollister Honda and Hollister Power Sports have 20 full-time employees and five part-time employees. Greenwood Chevrolet, which now includes Hollister Honda and Hollister Power Sports, continues to rank as one of the top sales tax generators in the City of Hollister.

Loan Agreement and the Successor Agency: The Owner Participation Agreement for the Honda Power Center is recognized as an "Asset" of the City of Hollister Successor Agency in the Dissolution Act. All payments from the loan agreement are considered to

be receivables that will be distributed to the taxiing entities. Requirements to make payments on the two Honda Powerhouse Loan Agreements begin this June.

1. \$1,500,000 Loan with an estimate of \$322,520 accrued interest: Monthly loan payments for a period of 20 years with accrued principal and interest could be an estimated \$10,108 per month. The monthly payment for just principal could be an estimated \$8,319.
2. \$400,000 Loan: A one-time balloon payment of \$573,523 with principal and interest.

Other Loans: The two Successor Agency loans are subordinate to a 2007 loan with the former San Benito Bank. Table 2 shows that there is an outstanding balance of \$2,156,917 on the San Benito Bank loan as of May 2013. Monthly principal and interest payments are \$15,917. The note for \$2+ million dollar loan is due in November of 2017 but there is not a requirement for a balloon payment and the terms can be re-negotiated at maturity.

Hollister Honda and Hollister Power Sports also has two revolving loans for merchandise in the amount of \$190,000 with monthly payments of \$11,152. The combined monthly payments at Hollister Honda and Hollister Power Sports are over \$26,000.

Table 2 - Hollister Power Center Other Loans

Other Loans	Balance	Monthly Principal and Interest	Maturity
San Benito Bank	\$2,156,917	\$15,624	11/10/2017 Note: No balloon payment. Can re-do terms at maturity.
<u>Revolving Loans</u>			Revolving loans with no maturity date. Payments made until paid in full.
(a)			
Loan 1	\$ 55,000	\$ 2,421	
Loan 2	\$135,000	\$ 8,731	
Total Other Loans	\$2,146,917	\$26,776	

Amendment to Loan Agreement: If the City of Hollister Successor Agency foreclosed on the owners for default on the current loan agreements, the San Benito Bank trustee would be the first to collect funds. This is because the Successor Agency Loan Agreements are subordinate to the 2007 San Benito Bank Loan.

Staff contacted the San Benito County Assessor's Office and was informed that the current assessed value of the property at 411 San Felipe Road is \$1,700,000 with a

valuation of \$600,000 for the land and \$1,100,000 for the improvements. The current assessed value of the property is less than the outstanding \$2+ million loan balance on the San Benito Bank loan. This means that if the City of Hollister Successor Agency foreclosed on the Honda powerhouse loan agreements, there would be zero dollars dispersed to the taxing entities.

Staff contacted the California Department of Finance to inquire about the possibility of amending the 2006 and 2007 loan agreements for the Honda powerhouse. Staff was advised to do the following in an e-mail communication:

1. Discuss the possibility of restructuring the loan agreements with the Successor Agency
2. Take a recommendation to the Oversight Board and include in the Oversight Board Resolution reference to the Health and Safety Code section for the Oversight Board Action.
3. Forward the resolution to the Department of Finance for a decision and advise staff at the Department of Finance on the history of the receivable and the effect of not restructuring the loan agreement.

Staff discussed the possibility of instituting foreclosure proceedings in closed session with the City of Hollister Successor Agency. Staff did not recommend pursuing foreclosure on the Honda powerhouse loans for the following reasons:

1. The assessed value of the property at 411 San Felipe Road is less than the remaining debt for the San Benito Bank Loan. Since the Successor Agency is subordinate to the San Benito Bank loan, foreclosure would result in \$0 receivables to taxing entities.
2. Greenwood Chevrolet/Hollister Honda/Hollister Power Sports are sales tax leaders in the City of Hollister. Foreclosure could result in a loss of sales tax and a vacant building.
3. Foreclosure could result in the loss of 20 Full time and five part time jobs. The April 2013 unemployment rate for San Benito County of 12.3% is nearly four percent higher than the statewide April 2013 average of 8.5% reported by the US Bureau of Labor Statistics.
4. The Hollister Honda and Hollister Power Sports help curb the leakage of sales tax from the community and provide local jobs. The City of Hollister is challenged with sales tax leakage and by the fact that nearly 50% of the workforce commutes out of the county (US Census Bureau ACS, County to County Flows 2006-2008 three year estimates). A 2008 City of Hollister Retail Project Area analysis prepared by Economic Developments Systems estimated that, "within a three and ten mile trade area demand/supply ratio, in favor of demand over the supply (e.g. leakage outside of the three and ten-mile trade area), is formidable for a City of the size of Hollister." The report estimated leakage of over \$201 million dollars from most sectors of commercial services with the exception of grocery and liquor. Since the report was prepared, there is no longer a nursery, large furniture/appliance store,

jewelry store, men's clothing store in Hollister. Hollister Honda – Hollister Power Sports is locally significant for economic development in the City of Hollister. The dealership is a retail destination that draws customers from a large area that contribute to additional sales tax from incidental purchases at gas stations, eating establishments and other businesses.

The Successor Agency directed staff to pursue approval of an amendment to the two loan agreements with the Oversight Board.

Recommendations: Staff recommends that the Oversight Board direct staff to prepare a resolution for approval of amended loan agreements that will do the following:
following:

1. Combine the two loan agreements into one amended loan agreement for the Honda Powerhouse (Hollister Power Sports).
2. Waive accrued and future interest payments
3. Establish a two-tiered payment schedule
 - a. Payment of \$1000.00 per month until the San Benito Bank loan is paid off.
 - b. Payment of at least \$15,600 per month when the San Benito Bank loan is retired.
4. Twenty year term with all unpaid principal due at the end of the 20-year term.

The potential amendment to the loan agreement does not constitute a project under the California Environmental Quality Act (CEQA) and review under CEQA is not required.

ATTACHMENTS: None

CEQA: Exempt

DEPARTMENT: Successor Agency

CONTACT PERSON: Mary M. Paxton

DEPARTMENT HEAD: William B. Avera

PHONE NUMBER: (831) 636-4316

STAFF REPORT

OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE CITY OF HOLLISTER REDEVELOPMENT AGENCY AGENDA

DATE: June 13, 2013

STUDY SESSION DATE: N/A

AGENDA ITEM: D- 4 Report

MEETING DATE: June 20, 2013

- **TITLE OF ITEM:** Discussion of an Owner Participation Agreement between the former City of Hollister Redevelopment Agency and Cain/Renz.
- **BRIEF DESCRIPTION:** The Oversight Board will discuss changes to the loan agreement for \$81,000 for the property at 102 San Benito Street.
- **STAFF RECOMMENDATION:** Staff recommends that the Oversight Board take the following actions:
 1. Receive staff report
 2. Direct staff to prepare a resolution recommending approval of an amendment to the loan agreement.

DEPARTMENT SUMMARY:

Background: The Hollister Redevelopment Agency (RDA) approved an Owner Participation Agreement (OPA) for an \$81,000 loan on December 4, 2006 for the property at 102 San Benito Street. The City of Hollister adopted the 2005-2023 General Plan update in 2005. The new Downtown Mixed Use Land Use Designation form the property at 102 San Benito Street prohibited the establishment of new gas stations. The purpose of the loan was to eliminate blight and assist with economic development by providing funds for the demolition of a blighted sign and removal a non-conforming land closed gas station. It was anticipated that the cleared site would be available for development of a franchise restaurant in late 2008 concurrent with the lifting of the sewer moratorium anticipated in December of 2008. The loan was approved with a lump sum due at the end of three years, a five percent simple interest rate and deferral of principal and interest until the due date. The loan was executed in early 2007, demolition permits were secured and a final inspection for the demolition permit to clear the site occurred on March 18, 2008.

The property remains vacant and does not generate income. The San Benito County Assessor's Office reported that the current assessed value for the property is \$225,000 for land only with \$0 for improvements. The property is listed for sale for \$500,000 or jointly with a contiguous parcel at 140 San Benito Street for \$725,000.

The property is located within the Alquist Priolo Earthquake Hazard zone. The Alquist-Priolo Special Studies Zone Act requires a surface fault hazard investigation prior to new construction or reconstruction of commercial or multi-family buildings with more than three units. The purpose of the study is to establish the presence or absence of surface fault rupture on property located in a fault hazard zone. If evidence of a surface fault is found, a non-building setback is recorded on the property and the remainder of the property is "cleared" for development. A typical setback is 50 feet. If a surface fault

is not located during a seismic investigation, the property is "cleared" for development.

Surface fault studies have been an impediment to development/redevelopment of Downtown Hollister because of the high cost excavation of trenches for seismic studies around infrastructure. For example, the price of the surface fault hazard investigation for the three acre vacant Vista Meadows apartment project on East Park Street was \$54,000. However, trenching for the reconstruction of Fire Station 1 on an 11,760 square foot lot at the corner of Fifth and Sally Street in Downtown Hollister was more than twice the cost - \$115,000. This is because the exploratory trench excavated for Fire Station 1 on Fifth Street required street closure, removal of pavement, avoidance of utilities and costs to backfill and repair the street.

The property at 102 First Street is a rectangular 12,616 square foot lot (84 foot by 140 foot lot) as shown on Figure 1. In order to clear the entire parcel, it would be necessary to trench fifty feet beyond the property line because it is necessary to prove that the surface fault hazard is not within 50 feet of the property. Figure 1 shows an example of the 50 foot distance for trenching beyond the property lines into San Benito Street and to the west near Wheeler Alley. With some larger parcels, a property owner will avoid the cost of excavating off site into a street and apply a 50 foot non-buildable setback to the property. The non-buildable area is then used for off-street parking, landscaping or on-site outdoor recreation. Figure 1 shows that if a developer chose not to trench into San Benito Street that the 50 foot non-buildable area would significantly constrain design on the 84 foot wide lot. It is likely that the cost of a seismic investigation at 102 San Benito Street would higher because excavation would be required in San Benito Street. One option to reduce the distance of trenching into San Benito Street would be to limit land uses on the eastern portion of the site to parking, plaza, and land uses that do not include structures for human occupancy.

The former Redevelopment Agency initiated an effort in 2009 to begin a program to compile prior surface fault hazard investigations in downtown Hollister to determine whether or not additional properties could be cleared for new development based on past fault hazard studies. The intent of the study was also to assess the feasibility of a coordinated area-wide approach to verify the presence or absent of surface fault rupture hazard areas in downtown Hollister. Funding for the program was aborted with the dissolution of the City of Hollister Redevelopment Agency.

Loan Agreement and the Successor Agency: The Owner Participation Agreement for the property at 102 San Benito Street is recognized as an "Asset" of the City of Hollister Successor Agency in the Dissolution Act. All payments from the loan agreement are considered to be receivables that will be distributed to the taxing entities.

A lump sum payment of \$93,161 was due in January of 2010. No payments have been made on the loan to date. If the loan was paid off in January of 2013, the total asset from the lump sum payment would have been \$105,322 as shown on Table 3.

Figure 1 – Example of 50 foot off-site surface fault investigation trenches

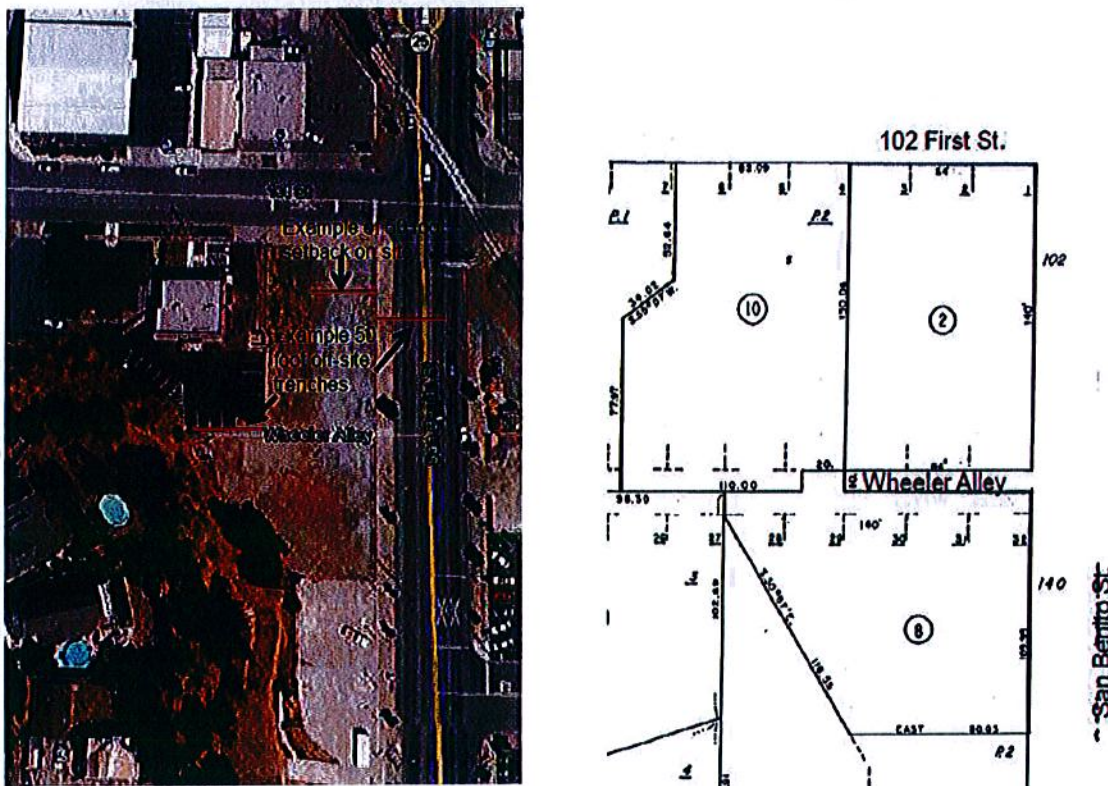


Table 3 - Summary of Loan for 102 San Benito Street

Term	Simple Interest (5%)	Loan Amount	Principal + Interest
Three years 1/24/2007 - 1/24/2010	\$ 12,161	\$81,000	\$93,161
Accrued six year debt 1/24/2007- 1/24/2013	\$24,322	\$81,000	\$105,322

It was anticipated in 2007 when the loan agreement was executed, that a franchise agreement on a corner lot for a commercial restaurant would be completed and provide money to repay the loan by 2010. However, the onset of the foreclosure crisis and the Great Recession in the fall of 2008 brought development to a standstill in Hollister. Lowe's backed out of plans to build an approved home improvement center near the new bypass. A good measure of the lackluster economy was the housing market. The Hollister City Council adopted a residential build out schedule in 2007 in anticipation of lifting of the six year sewer moratorium in December of 2008. The schedule was approved to meter construction of 350 units per year between 2008 and 2010 and 315 units per year until 2015. If the construction targets had been met, there would have been 1680 residential building permits issued by 2012. As of today, about 490 residential units have been constructed. It is noteworthy that about 22% of the residences were assisted with Redevelopment Agency Low Moderate Income Housing funds. It is likely that actual housing construction would have been less without the RDA funds. The stagnant residential market contributed to the closure of housing support services (title companies, real estate, and mortgage brokers) and the loss of long-standing commercial businesses (nursery, furniture/appliance store, electronics, jewelry (2), clothing).

Amendment to Loan Agreement: Staff discussed the possibility of instituting foreclosure proceedings in closed session with the City of Hollister Successor Agency. The Successor Agency directed staff to bring the matter to the Oversight Board.

Recommendations: Staff recommends that the Oversight Board direct staff to prepare a resolution directing the Successor Agency to enter into an agreement with the property owners to revise the promissory note to an amount of \$100,000 with zero interest and no term. The promissory note will require repayment of the loan as a condition of the sale of the property. Based on the listed sale price for the property (\$500,000) and the current assessed value for tax purposes (\$225,000), there would be ample funds to repay the loan with the sale of the property.

The potential amendment to the loan agreement does not constitute a project under the California Environmental Quality Act (CEQA) and review under CEQA is not required.

ATTACHMENTS: None

CEQA: Exempt

DEPARTMENT: Successor Agency

CONTACT PERSON: Mary M. Paxton

DEPARTMENT HEAD: William B. Avera

PHONE NUMBER: (831) 636-4316